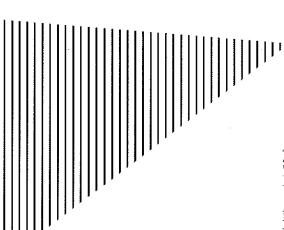
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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Hartford Hospital Years Ended September 30, 2011 and 2010 With Report of Independent Auditors

Ernst & Young LLP

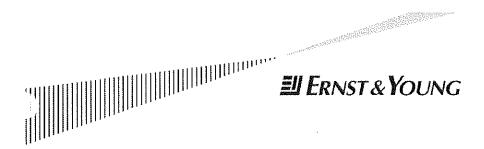
■ ERNST & YOUNG

Audited Consolidated Financial Statements and Other Financial Information

Years Ended September 30, 2011 and 2010

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Ernst & Young LLP Goodwin Square 225 Asylum Street Hartford, CT 06103-1506

Tel: +1 860 247 3100 Fax: +1 860 725 6040 www.ey.com

Report of Independent Auditors

Board of Directors Hartford Hospital

We have audited the accompanying consolidated balance sheets of Hartford Hospital (the Hospital) as of September 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Hospital as of September 30, 2011 and 2010, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

January 27, 2012

Consolidated Balance Sheets

	September 30		r 30	
		2011		2010
Assets				
Current assets:				
Cash and cash equivalents	\$	64,109,337	\$	44,299,371
Accounts receivable, less allowances for doubtful accounts of				
\$29,331,000 in 2011 and \$35,400,000 in 2010		125,443,406		117,359,353
Other receivables		14,436,221		18,746,745
Due from affiliates, net		16,779,424		10,040,619
Inventories of supplies		11,054,903		10,906,251
Prepaid expenses and other assets		10,161,480		11,205,570
Current portion of assets whose use is limited	O	3,902,820		4,304,570
Total current assets		245,887,591		216,862,479
Assets whose use is limited:				
Investments and other assets		216,442,837		219,207,458
Investments for restricted purposes		175,054,417		184,054,444
Escrow funds for long-term debt		54,673,488		_
Funds designated for debt service		6,943,069		_
•		453,113,811		403,261,902
Funds held in trust by others		115,839,220		119,917,040
Other assets		81,481,163		40,644,647
Property, plant and equipment, net		325,855,972		299,013,334
	\$	1,222,177,758	\$	1,079,699,401
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$	19,685,830	\$	41,938,359
Salaries, wages, payroll taxes and amounts withheld from employees		18,652,603		22,051,316
Accrued expenses		38,265,848		21,380,477
Estimated third-party payor settlements		6,850,045		1,980,663
Current portion of long-term debt		16,971,544		30,300,808
Current portion of accrued pension liability		13,884,957		9,051,278
Current portion of other liabilities		6,640,464		8,823,417
Total current liabilities		120,951,291		135,526,318
Accrued pension liability		340,366,785		279,113,922
Long-term debt, less current portion		191,588,806		62,156,676
Other liabilities		6,957,786		9,234,293
Net assets:				
Unrestricted		271,222,494		290,596,252
Temporarily restricted		98,786,922		107,378,948
Permanently restricted		192,303,674		195,692,992
•		562,313,090		593,668,192
	\$	1,222,177,758	\$	1,079,699,401

See accompanying notes.

Hartford Hospital

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30			
		2011		2010
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$	853,959,278	\$	800,993,375
Other operating revenue		121,952,140		123,272,080
Net assets released from restrictions for operations		9,465,204		8,674,254
		985,376,622		932,939,709
Operating expenses:				
Salaries		433,339,431		398,505,926
Employee benefits		128,868,720		100,636,264
Supplies and other		185,496,450		181,562,261
Purchased services		157,979,941		158,481,981
Depreciation and amortization		43,924,697		42,799,056
Provision for uncollectible accounts		12,919,784		37,824,767
Interest		1,556,400		614,483
		964,085,423		920,424,738
Income from operations before loss on early extinguishment				
of debt		21,291,199		12,514,971
Loss on early extinguishment of debt		(447,904)		
Income from operations		20,843,295		12,514,971
Nonoperating income:				
Income from investments, gifts and bequests, net		9,871,898		5,015,303
Other		2,736,082		393,644
		12,607,980		5,408,947
Excess of revenues over expenses before change in				
unrealized gains and losses on investments		33,451,275		17,923,918
Change in unrealized gains and losses on investments		(17,370,175)		23,166,870
Excess of revenues over expenses		16,081,100		41,090,788

Continued on next page.

Hartford Hospital

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended September 30		tember 30
		2011	2010
Unrestricted net assets:			
Excess of revenues over expenses (continued)	\$	16,081,100 \$	41,090,788
Transfer to affiliated entity		(3,748,398)	(2,539,035)
Net assets released from restrictions for the purchase of			
equipment		2,672,750	2,998,555
Change in pension and post-retirement funding obligation		(34,379,210)	(29,490,791)
(Decrease) increase in unrestricted net assets		(19,373,758)	12,059,517
Temporarily restricted net assets:			
Restricted contributions		5,743,213	5,278,212
Restricted investment income		7,989,646	488,806
Change in unrealized gains and losses on investments		(10,186,931)	11,702,938
Net assets released from restrictions for operations		(9,465,204)	(8,674,254)
Net assets released from restrictions for the purchase of			
equipment		(2,672,750)	(2,998,555)
(Decrease) increase in temporarily restricted net assets	,	(8,592,026)	5,797,147
Permanently restricted net assets:			
Restricted contributions		329,266	1,357,240
Restricted investment income		359,236	59,472
Change in unrealized gains and losses on funds held in trust			
by others		(4,077,820)	5,514,545
(Decrease) increase in permanently restricted net assets		(3,389,318)	6,931,257
(Decrease) increase in net assets		(31,355,102)	24,787,921
Net assets at beginning of year		593,668,192	568,880,271
Net assets at end of year	\$	562,313,090 \$	593,668,192

See accompanying notes.

Consolidated Statements of Cash Flows

Cash flows from operating activities (Decrease) increase in net assets (Decrease) in net assets (Decrease) in net assets (Decrease) in an admortization (Decrease) in unrealized gains and losses on investments (Deange in unrealized gains and losses on funds held in trust by others (Decrease) (Decreas		Year Ended September 30 2011 2010	
Adjustments to reconcile change in net assets to net cash provided by operating activities: Noncash items: Depreciation and amortization Change in unrealized gains and losses on investments Change in unrealized gains and losses on funds held in trust by others Change in unrealized gains and losses on funds held in trust by others Provision for uncollectible accounts Change in net assets related to post-retirement and pension plans Loss on early extinguishment of debt Transfer to affiliated entity Changes in net assets: Restricted contributions and investment income Changes in assets and liabilities, net (Note 14) Retail flows from investing activities Purchase of property, plant and equipment, net (Increase) decrease in assets whose use is limited, net (Increase) decrease in assets whose use is limited, net (Increase) decrease in assets whose use is limited, net Cash flows from financing activities Purchase of property, plant and equipment, net (Increase) decrease in assets whose use is limited, net Cash gaid in the acquisition of Constitution Surgery Centers Net cash used in investing activities Cash nows from financing activities Cash gaid in the acquisition of Constitution Surgery Centers Net cash used in investing activities Cash flows from financing activities Adaptive depth of the	Cash flows from operating activities		
Provided by operating activities: Noncash items: Depreciation and amortization 43,924,697 42,799,056 Change in unrealized gains and losses on investments 27,557,106 (34,869,808) Change in unrealized gains and losses on funds held in trust by others 4,077,820 (5,514,545) Provision for uncollectible accounts 12,919,784 37,824,767 Change in net assets related to post-retirement and pension plans 34,379,210 29,490,791 Loss on early extinguishment of debt 447,904 -	(Decrease) increase in net assets	\$ (31,355,102) \$	5 24,787,921
Noncash items: Depreciation and amortization			
Depreciation and amortization			
Change in unrealized gains and losses on investments 27,557,106 (34,869,808) Change in unrealized gains and losses on funds held in trust by others 4,077,820 (5,514,545) Provision for uncollectible accounts 12,919,784 37,824,767 Change in net assets related to post-retirement and pension plans 34,379,210 29,490,791 Loss on early extinguishment of debt 447,904 - Transfer to affiliated entity 3,748,398 2,539,035 Other changes in net assets: Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities (69,067,336) (58,788,362) Purchase of property, plant and equipment, net (69,067,336) (58,788,362) (Increase) decrease in assets whose use is limited, net (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) - Net cash used in investing activities (99,924,420) - Proceeds on long-term debt </td <td></td> <td></td> <td></td>			
Change in unrealized gains and losses on funds held in trust by others 4,077,820 (5,514,545) Provision for uncollectible accounts 12,919,784 37,824,767 Change in net assets related to post-retirement and pension plans 34,379,210 29,490,791 Loss on early extinguishment of debt 447,904 — Transfer to affiliated entity 3,748,398 2,539,035 Other changes in net assets: Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) — Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) — Proceeds on long-term debt (99,924,420) — Proceeds on long-term debt (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 </td <td><u>=</u></td> <td></td> <td></td>	<u>=</u>		
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Provision for uncollectible accounts Change in net assets related to post-retirement and pension plans Loss on early extinguishment of debt Transfer to affiliated entity Other changes in net assets: Restricted contributions and investment income Changes in assets and liabilities, net (Note 14) Net cash provided by operating activities Purchase of property, plant and equipment, net (Increase) decrease in assets whose use is limited, net Cash paid in the acquisition of Constitution Surgery Centers Net cash used in investing activities Payments on long-term debt Proceeds on long-term debt Proceeds on long-term debt Restricted contributions and investment income (14,421,361) (7,183,730) (58,285,478) (14,195,790) (58,285,478) (69,067,336) (58,788,362) (10,007,265) (1			
Change in net assets related to post-retirement and pension plans 34,379,210 29,490,791 Loss on early extinguishment of debt 447,904 – Transfer to affiliated entity 3,748,398 2,539,035 Other changes in net assets: Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities (69,067,336) (58,788,362) Purchase of property, plant and equipment, net (69,067,336) (58,788,362) (Increase) decrease in assets whose use is limited, net (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) – Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) – Payments on long-term debt (99,924,420) – Proceeds on long-term debt (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,73	·	• •	
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Loss on early extinguishment of debt 447,904 - Transfer to affiliated entity 3,748,398 2,539,035 Other changes in net assets: (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities 8 2 Purchase of property, plant and equipment, net (69,067,336) (58,788,362) (Increase) decrease in assets whose use is limited, net (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) - Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) - Payments on long-term debt (99,924,420) - Proceeds on long-term debt (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 </td <td></td> <td></td> <td></td>			
Transfer to affiliated entity 3,748,398 2,539,035 Other changes in net assets: Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities (69,067,336) (58,788,362) Purchase of property, plant and equipment, net (69,067,336) (58,788,362) (Increase) decrease in assets whose use is limited, net (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) — Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) — Payments on long-term debt (99,924,420) — Proceeds on long-term debt (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505		, ,	29,490,791
Other changes in net assets: Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities Purchase of property, plant and equipment, net (69,067,336) (58,788,362) (Increase) decrease in assets whose use is limited, net (77,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) — Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) — Payments on long-term debt (99,924,420) — Proceeds on long-term debt (215,579,391) 36,516,473 Transfer to affiliated entity (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505	* *	•	_
Restricted contributions and investment income (14,421,361) (7,183,730) Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities 8 Purchase of property, plant and equipment, net (10,007,265) (10,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (27,526,034) - Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) - Payments on long-term debt (99,924,420) - Proceeds on long-term debt (3,748,398) (2,539,035) Transfer to affiliated entity (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505	•	3,748,398	2,539,035
Changes in assets and liabilities, net (Note 14) (14,195,790) (58,285,478) Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities 9urchase of property, plant and equipment, net (10,007,265) (10,007,265) 3,873,690 Cash paid in the acquisition of Constitution Surgery Centers (17,526,034) - - Net cash used in investing activities (173,600,635) (54,914,672) Cash flows from financing activities (99,924,420) - Payments on long-term debt (99,924,420) - Proceeds on long-term debt 215,579,391 36,516,473 Transfer to affiliated entity (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505 Cash and cash equivalents at beginning of year 44,299,371 26,464,866			
Net cash provided by operating activities 67,082,667 31,588,009 Cash flows from investing activities Purchase of property, plant and equipment, net (10,007,365) (10,007,265) (10,007		• • • •	
Cash flows from investing activities Purchase of property, plant and equipment, net (Increase) decrease in assets whose use is limited, net (T7,007,265) (T7,007	-		
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(Increase) decrease in assets whose use is limited, net Cash paid in the acquisition of Constitution Surgery Centers(77,007,265) (27,526,034)3,873,690Net cash used in investing activities(173,600,635)(54,914,672)Cash flows from financing activities(99,924,420)-Payments on long-term debt(99,924,420)-Proceeds on long-term debt(3,748,398)(2,539,035)Transfer to affiliated entity(3,748,398)(2,539,035)Restricted contributions and investment income14,421,3617,183,730Net cash provided by financing activities126,327,93441,161,168Net increase in cash and cash equivalents19,809,96617,834,505Cash and cash equivalents at beginning of year44,299,37126,464,866	Cash flows from investing activities		
Cash paid in the acquisition of Constitution Surgery Centers Net cash used in investing activities Cash flows from financing activities Payments on long-term debt Proceeds on long-term debt Transfer to affiliated entity Restricted contributions and investment income Net cash provided by financing activities Net increase in cash and cash equivalents Cash and cash equivalents at beginning of year (27,526,034) (173,600,635) (54,914,672) (99,924,420) - (99,924,420) - (173,600,635) (54,914,672) (3,748,391) (2,539,035) (2,539,03	Purchase of property, plant and equipment, net	(69,067,336)	(58,788,362)
Net cash used in investing activities Cash flows from financing activities Payments on long-term debt Proceeds on long-term debt Transfer to affiliated entity Restricted contributions and investment income Net cash provided by financing activities Net increase in cash and cash equivalents Cash and cash equivalents at beginning of year (173,600,635) (99,924,420) - (99,924,420) - (173,600,635) (99,924,420) - (173,600,635) (1	(Increase) decrease in assets whose use is limited, net	(77,007,265)	3,873,690
Cash flows from financing activities Payments on long-term debt Proceeds on long-term debt Transfer to affiliated entity Restricted contributions and investment income Net cash provided by financing activities Net increase in cash and cash equivalents Cash and cash equivalents at beginning of year (99,924,420) 215,579,391 36,516,473 (2,539,035) 7,183,730 14,421,361 7,183,730 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505			
Payments on long-term debt (99,924,420) — Proceeds on long-term debt 215,579,391 36,516,473 Transfer to affiliated entity (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505 Cash and cash equivalents at beginning of year 44,299,371 26,464,866	Net cash used in investing activities	(173,600,635)	(54,914,672)
Proceeds on long-term debt 215,579,391 36,516,473 Transfer to affiliated entity (3,748,398) (2,539,035) Restricted contributions and investment income 14,421,361 7,183,730 Net cash provided by financing activities 126,327,934 41,161,168 Net increase in cash and cash equivalents 19,809,966 17,834,505 Cash and cash equivalents at beginning of year 44,299,371 26,464,866	Cash flows from financing activities		
Transfer to affiliated entity Restricted contributions and investment income 14,421,361 Net cash provided by financing activities 126,327,934 17,834,505 Cash and cash equivalents at beginning of year (3,748,398) (2,539,035) 7,183,730 126,327,934 41,161,168 19,809,966 17,834,505	Payments on long-term debt	(99,924,420)	-
Restricted contributions and investment income14,421,3617,183,730Net cash provided by financing activities126,327,93441,161,168Net increase in cash and cash equivalents19,809,96617,834,505Cash and cash equivalents at beginning of year44,299,37126,464,866	Proceeds on long-term debt	215,579,391	36,516,473
Net cash provided by financing activities126,327,93441,161,168Net increase in cash and cash equivalents19,809,96617,834,505Cash and cash equivalents at beginning of year44,299,37126,464,866	Transfer to affiliated entity	(3,748,398)	(2,539,035)
Net increase in cash and cash equivalents 19,809,966 17,834,505 Cash and cash equivalents at beginning of year 44,299,371 26,464,866	Restricted contributions and investment income	14,421,361	7,183,730
Cash and cash equivalents at beginning of year 44,299,371 26,464,866	Net cash provided by financing activities	126,327,934	41,161,168
	Net increase in cash and cash equivalents	19,809,966	17,834,505
	Cash and cash equivalents at beginning of year	44,299,371	26,464,866

See accompanying notes.

Notes to Consolidated Financial Statements

September 30, 2011

1. Significant Accounting Policies

The accounting policies that affect significant elements of Hartford Hospital's (the Hospital) consolidated financial statements are summarized below and in Note 2.

Organization

The Hospital is a voluntary association incorporated under the General Statutes of the State of Connecticut, and is an affiliate of Hartford HealthCare Corporation (HHC). The Board of Directors of the Hospital, appointed by HHC, controls the operations of the Hospital. The accompanying consolidated financial statements include Hartford Hospital, Jefferson House and Cedar Mountain Commons (both of which are departments of the Hospital), and the Institute of Living. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Eye Surgery Center Acquisition

On February 4, 2011, the Hospital acquired certain assets of an eye surgery center from Constitution Surgery Centers. The acquisition was to enhance ophthalmology services available to patients. Cash paid for the transaction was \$27.5 million. The Hospital accounted for this transaction as an asset purchase under Accounting Standards Codification (ASC) 958-805, *Business Combinations*, with the allocation of the purchase price to the related assets acquired and liabilities assumed based upon their respective fair values. The purchase price paid in excess of the fair value of identified assets aggregated \$25.8 million which have been recorded as goodwill. The eye surgery center results (net patient revenue of \$11.8 million and operating expenses of \$4.3 million) are included in the consolidated statement of operations since the acquisition date.

Goodwill

Goodwill represents the excess of cost of an acquired entity over the net of the amounts assigned to the fair value of assets acquired and liabilities assumed. As of September 30, 2011, goodwill of \$25.8 million is recorded in the Hospital's consolidated balance sheets within other assets. Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that the carrying value of an asset may not be recoverable. The impairment test for goodwill requires a comparison of fair value of each reporting unit that has goodwill associated with its operations with its carrying amount.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

The impairment analysis includes estimating the fair value of each of the reporting units which have goodwill associated with their operations using discounted cash flow and multiples of cash earnings valuation techniques, plus valuation comparisons to recent public sale of similar businesses, if any. These valuation methods require the Hospital to make estimates and assumptions regarding future operating results, cash flows, changes in working capital and capital expenditures, profitability, and the cost of capital. Although the Hospital believes that the estimates and assumptions used are reasonable, actual results could differ from the estimates and assumptions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Regulatory Matters

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access.

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of the Hospital's financial instruments are disclosed in Note 5.

Investments

The Hospital's investment portfolio is classified as trading, with unrealized gains and losses included in the excess of revenues over expenses.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations at the balance sheet date. Alternative investments, those assets whose market value is not readily determinable, are stated at fair value as estimated in an unquoted market. Valuations of those investments and, therefore, the Hospital's holdings may be determined by the investment manager and are primarily based on the underlying securities. Assets temporarily restricted (by donor) are recorded at fair value at the date of donation, which is then considered cost. Investment income (including realized gains and losses on investments, interest and dividends, and the change in unrealized gains and losses) is included in nonoperating income unless the income or loss is restricted by the donor or law. The cost of securities sold is based on the specific identification method.

The Hospital holds non-marketable equity investments in private companies. At September 30, 2011 and 2010, the carrying value of the Hospital's portfolio of strategic investments totaled \$5,546,866 and \$5,716,091, respectively; of which \$76,751 and \$624,052 are accounted for at cost and \$5,470,115 and \$5,015,288 are accounted for using the equity method of accounting at September 30, 2011 and 2010, respectively. These investments are included in other assets on the consolidated balance sheets. The Hospital's share of the income or losses of all equitymethod investees, using the most current financial information available, which reflects the financial performance three months in arrears, is included in nonoperating income.

Patient Accounts Receivable

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third party payor programs.

The Hospital's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages the receivables by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 29% and 10%, and 28% and 14%, for Medicare and Medicaid, respectively, for the fiscal years ending September 30, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost or market. The Hospital values its inventories using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives.

Conditional asset retirement obligations recorded under the provisions of ASC 410-20, *Asset Retirement Obligations*, amounted to \$3,141,783 and \$5,640,539 as of September 30, 2011 and 2010, respectively. These obligations are recorded in other liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2011, retirement obligations incurred and settled were approximately \$2.5 million. Accretion expense was immaterial for the years ended September 30, 2011 and 2010, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes assets that are set aside internally for future capital improvements, research, education, escrow funds and debt service funds for existing obligations on outstanding long-term debt. Restricted investment income in excess of a predetermined spending limit has also been set aside as long-term investments. Investments for restricted purposes are those restricted based on donors' intents.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those where use by the Hospital has been limited by donors, to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors and are maintained by the Hospital in perpetuity. The Hospital is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from these funds is expendable to support healthcare services and the assets are classified as permanently restricted.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unrestricted contributions are recorded, net of expenses, within other operating revenue.

Pledges receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is reflected in accordance with donor-imposed restrictions, if any, on the contributions.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are unrestricted contributions in the accompanying financial statements, except those relating to donations of long-lived assets.

Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses, include the changes in pension and post-retirement funding obligations, net assets released from restrictions for the purchase of equipment, and permanent transfers of assets to and from affiliates.

Nonoperating Income

Nonoperating income includes income on invested funds, realized and unrealized gains and losses on invested funds, restricted gifts, bequests, and the excess of revenues over expenses of Jefferson House and Cedar Mountain Commons.

Other Operating Revenue

Other operating revenue includes services to other subsidiaries of HHC and other institutions, school tuition, rental income, grant income, research income and unrestricted contributions.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Professional Liability and Workers' Compensation Insurance

Coverage for medical malpractice insurance is provided on a claims-made basis. The primary level of coverage is \$10,000,000 per claim and \$39,000,000 in the aggregate. The excess indemnity coverage is layered with four different insurance companies at \$15,000,000 per claim and \$15,000,000 in the aggregate per layer. The primary coverage is with CHS Insurance Limited, a captive insurance company in which the Hospital has a 25% ownership interest. The Hospital's ownership is accounted for under the equity method in the accompanying statements of operations. The investment in CHS Insurance Limited is included in other assets in the consolidated balance sheets.

The Hospital has an established policy of self-insuring the deductible portion of its workers' compensation insurance. The deductible limits are \$1,000,000 per claim for fiscal years ended September 30, 2011 and 2010. In connection with this self-insurance program, Bank of America issued an irrevocable direct pay letter of credit to the Travelers Indemnity Company, the primary insurer, for an amount not to exceed \$7,100,000.

Bond Issuance Costs

Bond issuance costs associated with long-term debt for capital projects are amortized over the term of the debt using the effective interest method. Bond issuance costs of \$1,109,768 and \$447,904 are recorded in other assets in the consolidated balance sheets as of September 30, 2011 and 2010, respectively.

Income Taxes

The Hospital and its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Cash and Cash Equivalents

Cash and cash equivalents include cash, commercial paper and corporate and government bonds, which are available to be converted to liquid assets within three months. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of these institutions.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, Improving Disclosures about Fair Value Measurements, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2012, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. The adoption of the provisions of ASU 2010-06 did not have a significant impact on the Hospital's consolidated financial statements.

In January 2011, the FASB issued ASU No. 2010-07, Not-for-Profit Entities: Mergers and Acquisitions, (ASU 2010-07), which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to account for each, and the required disclosures. In addition, ASU 2010-07 included amendments to FASB's Accounting Standards Codification (the Codification, or ASC) Topic 350, Intangibles – Goodwill and Other, (ASC Topic 350), and Topic 810, Consolidation, (ASC Topic 810) to make both applicable to not-for-profit entities. ASC Topic 350 clarifies the accounting for goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity. Such assets are not amortized and are tested for impairment at least annually. The Hospital adopted the guidance relative to ASU 2010-07 as of October 1, 2010.

In August 2010, the FASB issued ASC 2010-23, *Measuring Charity Care for Disclosure*. ASC 2010-23 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASC 2010-23 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASC 2010-23 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Hospital is evaluating the effect of ASC 2010-23 on its consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

In July 2011, FASB issued ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts. ASU 2011-07 requires certain health care entities to present the bad debt expense associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense with enhanced footnote disclosures on the policies for recognizing revenue and assessing bad debts, and qualitative and quantitative information about changes in the allowance for doubtful accounts. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted.

In August 2010, the FASB also issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. Under ASU 2010-24 anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the balance sheet. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Hospital is evaluating the effect of ASU 2010-24 on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2010 balances previously reported in the consolidated balance sheets and statements of operations and changes in net assets in order to conform with the year ended September 30, 2011 presentation. For the year ended September 30, 2010, \$279,113,922 related to accrued pension liability have been reclassified out of other liabilities, and \$5,716,091 of prepaid assets and other assets have been reclassified to other assets.

2. Revenue from Services to Patients and Charity Care

Revenues from the Medicare and Medicaid programs accounted for approximately 40% and 13%, and 40% and 12%, respectively, of the Hospital's net patient service revenue for the years ended September 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Hospital believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital.

Notes to Consolidated Financial Statements (continued)

2. Revenue from Services to Patients and Charity Care (continued)

The following table summarizes net patient service revenue:

	Year Ended	Year Ended September 30		
	2011	2010		
Gross revenues from patients:				
Inpatients	\$ 1,378,020,729	\$ 1,323,691,384		
Outpatients	671,298,555	578,027,739		
	2,049,319,284	1,901,719,123		
Deductions:	•			
Allowances	1,175,001,400	1,070,922,058		
Charity care	20,358,606	29,803,690		
	1,195,360,006	1,100,725,748		
	\$ 853,959,278	\$ 800,993,375		

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. During 2011 and 2010, the Hospital recorded net changes in estimates of approximately \$3.2 million and \$780,000, respectively, which primarily relate to better than previously estimated third party payor settlements.

The Hospital has established estimates based on information presently available, of amounts due to or from Medicare, Medicaid and third-party payors for adjustments to current and prior year payment rates, based on industry-wide and Hospital-specific data. Such amounts are included in the accompanying balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years might be realized.

Notes to Consolidated Financial Statements (continued)

2. Revenue from Services to Patients and Charity Care (continued)

The Hospital has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules. In addition, the Hospital receives monthly capitation payments from certain HMOs based on the number of each HMO's participants, regardless of services actually performed by the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized poverty income levels for the State of Connecticut, but also includes certain cases where incurred charges are significant when compared to incomes.

3. Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2011	2010
Health care services:		
Free beds	\$ 24,458,498	\$ 24,311,156
Research	30,689,521	34,206,414
Education	10,094,964	11,351,456
Capital replacement	7,237,273	8,692,378
Other health care services	26,306,666	28,817,544
	\$ 98,786,922	\$ 107,378,948

Permanently restricted net assets at September 30 are restricted for:

	2011	2010
Investments to be held in perpetuity, the income		
from which is expendable to support health care		
services	\$ 55,190,045	\$ 54,860,780
Endowment requiring income to be added to		
original gift to support health care services	21,274,409	20,915,172
Restricted funds held in trust by others, the income		
from which is expendable to support health care		
services	 115,839,220	119,917,040
	\$ 192,303,674	\$ 195,692,992

Notes to Consolidated Financial Statements (continued)

3. Net Assets (continued)

The Hospital's endowment consists of hundreds of individuals funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Hospital has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Hospital and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Hospital
- 7) The investment policies of the Hospital

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 4% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based alternative investments to achieve its long-term objective within prudent risk constraints.

Notes to Consolidated Financial Statements (continued)

3. Net Assets (continued)

The Hospital has a policy of appropriating for distribution each year of 4% of the trailing twelve quarter average market value of each fiscal year in which the distribution is planned. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Changes in endowment funds for the fiscal year ended September 30, 2011 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 59,918,239	\$ 75,775,952	\$ 135,694,191
Investment return: Investment income Net depreciation (realized and unrealized)	421,733 (839,351)	359,236	780,969 (839,351)
Total investment return	(417,618)	359,236	(58,382)
Contributions Appropriation of endowment assets for	-	329,266	329,266
expenditure	(5,637,904)	_	(5,637,904)
Endowment net assets at end of year	\$ 53,862,717	\$ 76,464,454	\$ 130,327,171

Changes in endowment funds for the fiscal year ended September 30, 2010 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 53,476,892	\$ 74,359,240	\$ 127,836,132
Investment return: Investment income	1,006,454	59,472	1,065,926
Net appreciation (realized and unrealized)	7,930,368	·	7,930,368
Total investment return	8,936,822	59,472	8,996,294
Contributions Appropriation of endowment assets for	_	1,357,240	1,357,240
expenditure	(2,495,475)	_	(2,495,475)
Endowment net assets at end of year	\$ 59,918,239	\$ 75,775,952	\$ 135,694,191

Notes to Consolidated Financial Statements (continued)

3. Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor, as stipulated by, UPMIFA requires the Hospital to retain as a fund of perpetual duration. These deficiencies periodically result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions in which case the Board of Directors may deem unprudent the continuation of appropriation for a limited period. There were no significant deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2011 or 2010.

4. Assets Whose Use is Limited

Included in assets whose use is limited at September 30 are the following:

	2011			2010
Cash and cash equivalents Money market funds	,	71,049 19,377	\$	1,364,494 4,304,570
Domestic equity securities Fixed income bonds:	34,72	29,511	3	5,026,257
U.S. International	,	30,197 14,634	7	1,121,342
Mutual funds: U.S.	73,78	86,682	7	1,005,896
International Common collective funds:	62,75	59,657	6	2,471,962
U.S. International	127,65 40,17	59,082 79,160		7,950,102 6,868,287
Other notes and accounts receivable Pledges receivable, net	20	00,522 52,715		114,631 2,048,767
Due from affiliated entities, net	•	34 <u>,045</u>	1	5,290,164 7,566,472
			7	- , , •, -

The Hospital advances funds to affiliates to provide capital for the expansion of certain mission-related activities. The Hospital expects these advances to be repaid, generally with interest. Periodically, amounts outstanding are reviewed for collectability and adjustments are provided where collection is doubtful.

Notes to Consolidated Financial Statements (continued)

4. Assets Whose Use is Limited (continued)

The composition and presentation of unrestricted investment income and gains from investments, which are included in nonoperating income in the consolidated statements of operations and changes in net assets, are as follows:

	Year Ended September 30			
	2011	2010		
Interest and dividend income	\$ 4,079,303	\$ 6,354,615		
Realized gain (loss) on investments, net	7,928,671	(433,507)		
Contributions	650,919	995,454		
Other	(50,913)	(1,507,615)		
	\$ 12,607,980	\$ 5,408,947		

5. Fair Values of Financial Instruments

As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

Notes to Consolidated Financial Statements (continued)

5. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value in the accompanying consolidated balance sheets, excluding assets invested in the Hospital's defined benefit pension plan, are classified in the table below in one of the three categories described above:

	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 64,109,337	\$ -	\$ -	\$ 64,109,337
Assets limited as to use:				
Cash and cash equivalents	2,071,049		_	2,071,049
Money market funds	65,519,377		_	65,519,377
Domestic equity securities	34,729,511	-		34,729,511
Fixed income bonds:				
U.S.	_	25,730,197	_	25,730,197
International	_	8,844,634	•	8,844,634
Mutual funds:				
U.S.	73,786,682	_	_	73,786,682
International	62,759,657	_	_	62,759,657
Common collective funds:				
U.S.	ECPE.	127,659,082	_	127,659,082
International	-	40,179,160	_	40,179,160
Other assets:				
Domestic mutual funds	4,208,400	_	_	4,208,400
Funds held in trust by others:				
Cash and cash equivalents	2,848,274	_	-	2,848,274
Equity securities:				
U.S.	51,737,201	_	-	51,737,201
International	5,449,937		_	5,449,937
Fixed income bonds:				
U.S.	_	34,684,027	_	34,684,027
International	_	3,462,188	_	3,462,188
Common collective funds:				
U.S.	· _	10,571,639	_	10,571,639
International		3,213,731	_	3,213,731
Domestic mutual funds	2,181,006		_	2,181,006
Other	-	1,691,217	_	1,691,217

Notes to Consolidated Financial Statements (continued)

5. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of September 30, 2010 are classified in the table below in one of the three categories described above:

	September 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 44,299,371	\$ -	\$ -	\$ 44,299,371
Assets limited as to use:				
Cash and cash equivalents	1,364,494	ALLA .	_	1,364,494
Money market funds	4,304,570	_	_	4,304,570
Domestic equity securities	35,026,257	_		35,026,257
Domestic fixed income bonds		71,121,342	_	71,121,342
Mutual funds:				
U.S.	71,005,896	_	_	71,005,896
International	62,471,962	_	_	62,471,962
Common collective funds:				
U.S.	_	107,950,102	<u></u>	107,950,102
International		36,868,287	_	36,868,287
Other assets:				
Domestic mutual funds	2,104,200	_		2,104,200
Funds held in trust by others:				
Cash and cash equivalents	2,948,541	_	_	2,948,541
Equity securities:				
U.S.	53,558,475	_	_	53,558,475
International	5,641,788	_	_	5,641,788
Fixed income bonds:				
U.S.	Radio	35,904,989	_	35,904,988
International		3,584,065	_	3,584,065
Common collective funds:				
U.S.	_	10,943,786	_	10,943,786
International	_	3,326,862	_	3,326,862
Domestic mutual funds	2,257,783		_	2,257,783
Other	-	1,750,752	_	1,750,752

Notes to Consolidated Financial Statements (continued)

5. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value included in the cash balance retirement plan as of September 30, 2011 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 10,518,470	\$ -	s –	\$ 10,518,470
Domestic equity securities	40,514,124		_	40,514,124
Fixed income bonds:				
U.S.	_	49,049,039	_	49,049,039
International	_	14,305,453	_	14,305,453
Mutual funds:				
U.S.	91,097,250	_	_	91,097,250
International	59,483,410	_		59,483,410
Common collective funds:				
U.S.		201,803,168	_	201,803,168
International		45,570,541	_	45,570,541

Financial assets carried at fair value included in the defined benefit cash balance retirement plan as of September 30, 2010 are classified in the table below in one of the three categories described above:

	 Level 1	Level 2	 Level 3	 Total
Cash and cash equivalents	\$ 17,885,811	\$ 	\$ _	\$ 17,885,811
Domestic equity securities Fixed income bonds:	65,080,633		_	65,080,633
U.S.		78,548,061	_	78,548,061
International	_	15,939,404	_	15,939,404
Mutual funds:				
U.S.	68,644,290	_	_	68,644,290
International	67,613,513	-	_	67,613,513
Common collective funds:				
U.S.	_	194,741,633	_	194,741,633
International	_	16,349,239	_	16,349,239
Other	28,182,476	_	_	28,182,476

Notes to Consolidated Financial Statements (continued)

5. Fair Values of Financial Instruments (continued)

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based upon model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including public market participants, dealers and brokers.

The Hospital's long-term debt obligations were reported in the accompanying consolidated balance sheets at the carrying value which totaled approximately \$208,560,000 at September 30, 2011 approximated fair value. The fair value of these obligations at September 30, 2011 was determined by the Hospital's investment advisor using a discounted cash flow analysis. At September 30, 2010, the carrying value of the Hospital's long term debt approximated fair value.

6. Property, Plant and Equipment

Property, plant and equipment consist of the following at September 30:

	2011	2010
Land and land improvements Buildings and fixed equipment Movable equipment	\$ 23,011,190 526,586,817 383,220,441	\$ 21,176,794 483,427,457 348,893,625
	932,818,448	853,497,876
Less accumulated depreciation	635,128,928 297,689,520	593,621,312 259,876,564
Construction in process (estimated cost to complete - \$23,191,300)	28,166,452	39,136,770
	\$ 325,855,972	\$ 299,013,334

7. Pensions and Other Post-retirement Benefits

The Hospital has a cash balance retirement plan, the Retirement Plan for Employees of Hartford Hospital, covering substantially all employees, and a noncontributory, supplemental defined-benefit retirement plan for certain executive employees (collectively, the pension plans).

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of post-retirement benefits, other than pensions, as incurred.

Notes to Consolidated Financial Statements (continued)

7. Pensions and Other Post-retirement Benefits (continued)

Included in unrestricted net assets at September 30 are the following amounts that have not yet been recognized in net periodic benefit cost:

	2011	2010
Unrecognized actuarial loss Unrecognized prior service credit	\$ 344,687,961 (5,530,954)	\$ 313,925,513 (9,147,716)
	\$ 339,157,007	\$ 304,777,797

The actuarial loss and prior service credit included unrestricted net assets at September 30, 2011, and expected to be recognized in net periodic benefit cost during the year ending September 30, 2012, are as follows:

Unrecognized actuarial loss	\$ 16,052,399
Unrecognized prior service credit	(3,016,211)
	\$ 13,036,188

The following table sets forth the plans' funded status and amounts recognized in the consolidated balance sheets:

	Pension Benefits		Other Post-Reti	rement Benefits
•	2011	2010	2011	2010
Change in benefit obligations				
Benefit obligations at beginning of year	\$ (757,387,873)	\$ (699,558,199)	\$ (76,107,566)	\$ (75,294,534)
Service cost	(31,499,870)	(27,786,254)	(2,247,313)	(2,242,868)
Interest cost	(38,240,998)	(38,469,092)	(3,887,066)	(4,184,958)
Benefits paid	46,950,284	45,781,962	3,840,944	3,352,378
Actuarial gains and losses	(2,083,677)	(35,144,571)	3,020,947	(2,358,216)
Plan amendments		(2,211,719)	(568,702)	4,620,632
Benefit obligations at year-end	(782,262,134)	(757,387,873)	(75,948,756)	(76,107,566)
Change in plan assets				
Fair value of plan assets at beginning of				
year	552,985,060	540,181,936		
Actual return on plan assets	6,223,548	57,159,545		
Benefits paid	(46,950,284)	(45,781,962)	(3,840,944)	(3,352,378)
Employer contributions	83,131	1,425,541	3,840,944	3,352,378
Fair value of plan assets at year-end	512,341,455	552,985,060	-	
Funded status of the plans	\$ (269,920,679)	\$ (204,402,813)	\$ (75,948,756)	\$ (76,107,566)
•				

Notes to Consolidated Financial Statements (continued)

7. Pensions and Other Post-retirement Benefits (continued)

	Pension Benefits		Other Post-Re		tirement Benefits		
		2011	2010		2011		2010
Components of net periodic benefit		·					
cost							
Service cost	\$	31,499,870	\$ 27,786,254	\$	2,247,313	\$	2,242,868
Interest cost		38,240,998	38,469,092		3,887,066		4,184,958
Expected return on plan assets		(48,967,204)	(53,168,189)				, , <u> </u>
Net amortization and deferral		7,676,567	782,781		319,311		629,820
Loss on settlement			199,126		· –		_
Benefit cost	\$	28,450,231	\$ 14,069,064	\$	6,453,690	\$	7,057,646

The accumulated benefit obligation for the pension plans were \$739,738,503 and \$714,833,444 as of September 30, 2011 and 2010, respectively.

The weighted-average assumptions used to develop net periodic benefit cost and the projected benefit obligation were as follows:

	2011	2010
Discount rate for projected benefit obligation	5.00%	5.05%
Discount rate for net periodic benefit cost	5.05%	5.50%
Expected long-term rate of return on plan assets	8.00%	8.00%
Measurement date	September 30	September 30

The Hospital has a defined contribution plan for all new employees. The cash balance retirement plan is frozen to all new members effective in fiscal year 2010. Expense for employer contributions was approximately \$4,504,911 and \$1,798,937 in 2011 and 2010, respectively. These amounts are included in accrued pension liability on the consolidated balance sheets.

The expected rate of return on plan assets was determined by the expected return on each asset class based on a model that considers historical and expected future performance.

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 9%. Rates are assumed to decline to 5% through 2019. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the service and interest cost and accumulated post-retirement benefit obligation by approximately \$151,324 and \$3,397,780 at September 30, 2011, respectively. A one percentage point decrease in the assumed health care cost trend rate would decrease the service and interest cost and accumulated post-retirement benefit obligation by approximately \$167,428 and \$2,989,773 at September 30, 2011, respectively.

Notes to Consolidated Financial Statements (continued)

7. Pensions and Other Post-Retirement Benefits (continued)

Plan Assets

The pension plan weighted-average asset allocations at September 30, by asset category, are as follows:

	2011	2010
Equity securities	59%	67%
Fixed income/debt securities	33	25
Commodities/inflation/real assets	7	5
Other	1	3
Total	100%	100%

The goals of the plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The Investment Committee of the Board of Directors has responsibility for the development, review and monitoring of the investment policy. The plan assets are invested in accordance with the policy.

Contributions

The Hospital expects to contribute \$32,654,000 to its pension plans and \$4,303,100 to its other post-retirement benefit plan in 2012.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	Pension Benefits	Other Post- Retirement Benefits
2012	\$ 64,626,200	\$ 4,303,107
2013	57,717,451	4,515,185
2014	55,316,617	4,780,787
2015	56,001,002	4,960,133
2016	58,776,056	5,249,718
2017-2021	323,836,935	29,026,153

Notes to Consolidated Financial Statements (continued)

7. Pensions and Other Post-Retirement Benefits (continued)

As discussed in the Fair Value Measurements note (Note 5), the Hospital follows a three-level hierarchy to categorize assets measured at fair value. In accordance with this hierarchy, as of September 30, 2011, 39% and 61% of the Hospital Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1 and Level 2 investments, respectively. Securities with readily determinable values are carried at fair value as determined based on independent published sources.

8. Long-Term Debt

Details of long-term debt are as follows:

	September 30					
	2011	2010				
Intercompany debt with HHC:						
Series A, consisting of a tax-exempt serial bond and						
term bonds; interest at rates ranging from 4.4% to						
5.0%	\$ 90,364,187					
Series B, tax-exempt variable rate term bond	48,221,793					
Series C, taxable variable rate term bond	28,831,592					
State of Connecticut Health and Educational Authority						
(CHEFA) variable rate demand bonds	_	\$ 45,940,000				
CHEFA Easy Loan	16,221,042	20,000,000				
Capital lease obligations	8,243,545	_				
Line of credit	10,059,865	25,000,000				
Other notes	4,827,560	1,517,484				
Premium on long-term debt	1,790,766					
	208,560,350	92,457,484				
Less current portion	16,971,544	30,300,808				
-	\$ 191,588,806	\$ 62,156,676				

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

On September 29, 2011, HHC issued approximately \$375,815,000 of CHEFA Revenue Bonds Series A, B, and C (the HHC 2011 Bonds). In conjunction with the issuance of the 2011 Bonds, an obligated group was formed. The members of the obligated group are HHC, Hartford Hospital, The Hospital of Central Connecticut at New Britain General and Bradley Memorial, Windham Community Memorial Hospital and MidState Medical Center (collectively referred to as the "Obligated Group"). Obligated Group members are jointly and severally liable under a Master Trust Indenture (MTI) to make all payments required with respect to obligations under the MTI. HHC does have the right to name designated affiliates, although presently none exist. Though designated affiliates are not obligated to make debt service payments on the obligations under the MTI, each designated affiliate would have an independent designated affiliate agreement and promissory note with HHC with stipulated repayment terms and conditions, each subject to the governing law of the obligated groups' state of incorporation. In addition, HHC may cause each designated affiliate to transfer such amounts as necessary to enable the obligated group members to comply with the terms of the MTI, including payment of the outstanding obligations.

The HHC 2011 Bonds were issued to refund portions of existing debt under HHC, and to obtain funds for future capital needs. As such, the HHC 2011 Bonds are reflected as intercompany debt in the schedule above. The HHC Series A Revenue Bonds consist of serial bonds that mature annually from July 1, 2014 through July 1, 2023 and the term bonds mature from July 1, 2024 through July 1, 2041. The HHC Series B Revenue Bonds consist of term bonds that mature from July 1, 2042 through July 1, 2049. The HHC Series B Revenue Bonds are secured by an irrevocable letter of credit issued by Bank of America which expires on September 29, 2018. The HHC Series C Revenue Bonds consist of term bonds that mature from July 1, 2042 through July 1, 2049. The HHC Series C Revenue Bonds are secured by an irrevocable letter of credit issued by JP Morgan Chase Bank which expires on October 1, 2016. The reimbursement terms of the letters of credit for the HHC Series B and C Revenue Bonds are such that in the event a letter of credit is drawn upon due to a failed remarketing the components available shall equal the aggregate principal and interest amount of bonds outstanding.

The MTI and Supplemental MTI provide for the potential establishment and maintenance of a Debt Service Reserve Fund, a pledge of gross receipts, as defined, and parity with the HHC Series A Revenue Bonds that remain outstanding. The MTI and loan agreements establish certain restrictive covenants, including a debt service coverage ratio and days cash on hand requirement. No violations of covenants existed as of September 30, 2011.

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

In August 2000, \$30,675,000 of \$31,175,000 of CHEFA Variable Rate Demand Revenue Bonds, Hartford Hospital Issue Series B (Hartford Hospital Series B Bonds), were issued and were secured by an irrevocable direct pay letter of credit issued by Bank of America. The Hartford Hospital Series B Bonds were issued to finance the construction of a 78-unit, independent living and assisted living facility (Cedar Mountain Commons) and the funding of various equipment purchases, software purchases and renovation projects. The Hartford Hospital Series B Bonds were extinguished during 2011 in conjunction with the HHC 2011 bonds.

In March 2002, \$15,265,000 of \$36,110,000 CHEFA Variable Rate Demand Revenue Bonds, Health Care Capital Asset Program Issue, Series A-1 (Hartford Hospital Series A-1 Bonds), were issued to the Hospital and secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires on May 1, 2012. The Hartford Hospital Series A-1 Bonds were issued to purchase a parking garage from Hartford Hospital Real Estate Corporation and were extinguished during 2011. The Hartford Hospital Series A-1 Bonds were extinguished during 2011 in conjunction with the HHC 2011 bonds.

Under the Hartford Hospital Series A-1 and B Bonds, the Hospital had balloon principal payments of \$30,675,000 and \$15,265,000 due on July 1, 2030 and 2031, respectively. The financing documents contain certain restrictive covenants including the maintenance of a minimum debt service coverage ratio. As of September 30, 2010, the variable interest rate approximated .26%.

In September 2010, the Hospital entered into a master financing agreement with CHEFA, for funds to be used to purchase all or a portion of the costs of various capital expenditures. The interest rate is 2.75% and payable in monthly installments of \$357,156 for a period of five years. The outstanding balance related to the master financing agreement as of September 30, 2011 was \$16,221,042.

The Hospital entered into a capitalized lease for a satellite location. The lease is a twenty year lease with an option to purchase at the end of the thirty-seventh month. The monthly installments are \$71,637 with interest at 6.25%. The outstanding capital lease obligation was \$8,243,545 as of September 30, 2011.

As part of the HHC 2011 Bonds, the Obligated Group entered into a new line of credit for \$20,000,000 from Bank of America which expires in September 2012. As of September 30, 2011, the Hospital drew \$10,059,865 on this line of credit, with a variable rate of 1.25% and is included in current portion of long-term debt on the consolidated balance sheets. As of September 30, 2010, the Hospital drew \$26,500,000 on a then existing revolving loan of \$35,000,000, included in current portion of long-term debt, which was paid in conjunction with the HHC 2011 Bonds.

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

Scheduled principal repayments are as follows:

2012	\$ 16,971,544
2013	7,031,545
2014	12,104,492
2015	5,339,199
2016	1,330,294
Thereafter	165,783,276
	\$ 208,560,350

Interest paid for the years ended September 30, 2011 and 2010 was \$1,558,782 and \$619,197, respectively.

9. Pledges Receivable

Pledges receivable, included in board-designated investments and other assets, include the following unconditional promises to give as of September 30:

	2011	2010
Due within one year	\$ 1,178,882	\$ 956,204
Due in one to five years	810,117	1,340,333
	1,988,999	2,296,537
Less allowance and discount to present value	236,284	247,770
Pledges receivable, net	\$ 1,752,715	\$ 2,048,767

The discount recognizes the present value of the pledges. The allowance recognizes the estimated uncollectible portion of the pledges.

10. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance as explained in Note 1 or are deemed to be immaterial. While the outcomes of the lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or changes in net assets of the Hospital.

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingencies (continued)

The Hospital has several operating lease agreements for certain real estate, medical equipment and computer equipment. Certain of these leases have renewal options for periods up to five years and escalation clauses. Rent is payable in equal monthly installments. Rent expense was \$21,915,275 and \$19,345,592 for the years ended September 30, 2011 and 2010, respectively.

The future minimum lease payments are as follows:

2012	\$ 9,507,704
2013	7,350,672
2014	5,062,122
2015	4,851,936
2016	6,069,880
Thereafter	62,226,610
	\$ 95,068,924

11. Related-Party Transactions

The Hospital provides general and administrative services to certain of its affiliates and is reimbursed for the cost of these services. Fees charged to affiliates for the year ended September 30, 2011 and 2010, which are included in other operating revenue in the consolidated statement of operations and changes in net assets, were approximately \$35,132,123 and \$33,264,910, respectively.

Amounts due from affiliates related to these services at September 30 are as follows:

	2011	2010
Intercompany receivable	\$ 790,316	\$ 2,393,227
Notes receivable from affiliates	<u> 15,989,108</u>	7,647,392
	\$ 16,779,424	\$10,040,619

Notes to Consolidated Financial Statements (continued)

12. Guarantees

The Hospital guarantees certain debt issues of related parties. The related parties would not have been able to obtain favorable financing terms and rates without the Hospital's guarantee. The term of the guarantees is equal to the term of the related debt, with maturities between 2012 and 2015. The maximum potential amount of future payments the Hospital could be required to make under its guarantees at September 30, 2011 and 2010 was approximately \$1,925,000 and \$60,048,700, respectively. If the related party does not make the necessary principal and interest payments required by the debt agreements, the Hospital is required to pay the monthly debt service.

The Hospital also guarantees the termination value of a swap agreement of a related party. The arrangement relates to an interest rate swap contract with a counterparty with an original notional amount of \$19,745,000 to fix the variable rate debt at a rate of 4.15%. The Hospital would be responsible for any termination payments related to the swap in the event of either nonperformance by the counterparty or by the counterparty's election to terminate the swap agreement. This guarantee is expected to significantly reduce annual debt service payments of the related party. The swap's termination value was approximately \$4,248,129 and \$3,185,500 as of September 30, 2011 and 2010, respectively.

In 2009, the Hospital entered into a guarantee agreement with two entities in which the Hospital has non-marketable equity investments in, for the issuance of financial guarantees in order to assist these entities in obtaining bank financing, which expire in June 2016 and September 2016, respectively. The Hospital believes that, based on its knowledge of their businesses, these entities continue to be an acceptable credit risk. The amount of the financial guarantees is approximately \$5,000,000 at September 30, 2011 and 2010.

13. Functional Expenses

The Hospital provides health care services to residents within its geographic location. Net expenses related to providing these services are as follows:

	Year Ended	Year Ended September 30					
Health care services	2011	2010					
	\$ 870,839,225	\$ 831,807,012					
Research	23,127,300	22,085,415					
Education	69,670,993	66,532,311					
	\$ 963,637,518	\$ 920,424,738					

Notes to Consolidated Financial Statements (continued)

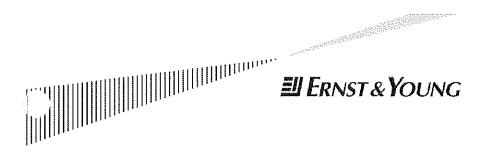
14. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	Year Ended September 30					
	2011	2010				
Increase in accounts receivable	\$ (21,003,837)	\$ (37,198,861)				
Decrease (increase) in other receivables	4,310,524	(2,605,021)				
Increase in due from affiliates	(6,738,805)	(3,828,421)				
Decrease (increase) in inventories of supplies and		,				
prepaid expenses and other assets	895,438	(2,212,962)				
Increase in other assets	(15,010,483)	(19,219,741)				
Increase in estimated third-party payor settlements	4,869,382	8,953,139				
Decrease in accounts payable	(22,252,539)	(2,849,641)				
Decrease in salaries, wages, payroll taxes and						
amounts withheld from employees	(3,398,713)	(15,728,394)				
Increase (decrease) in accrued expenses	16,885,371	(823,442)				
Increase in accrued pension liability and other	, ,	` ' '				
liabilities	27,247,872	17,227,866				
	\$ (14,195,790)	\$ (58,285,478)				

15. Subsequent Event

The Hospital evaluated subsequent events through January 27, 2012, which is the date the financial statements were issued. No events occurred that require disclosure or adjustment to the consolidated financial statements, except for the Hospital acquired an additional one-percent ownership in an existing joint venture in October 2011. As a result, the joint venture will be accounted for as a consolidated entity of the Hospital for fiscal year 2012.



Ernst & Young LLP Goodwin Square 225 Asylum Street Hartford, CT 06103-1506

Tel: +1 860 247 3100 Fax: +1 860 725 6040 www.ey.com

Report of Independent Auditors on Other Financial Information

Board of Directors Hartford Hospital

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating details appearing in conjunction with the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Ernst + Young LLP

January 27, 2012

Consolidating Balance Sheet

	Hartford Hospital		fferson House The Institute Combined (1) of Living			Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 60,477,77	8 \$	2,146,351	\$ 1,485,208	\$	64,109,337
Accounts receivable, less allowances for doubtful accounts of \$29,331,000	123,703,91	7	1,739,489	_		125,443,406
Other receivables	14,438,54	2		(2,321)		14,436,221
Due from affiliates, net	16,276,47	5	898,005	(395,056)		16,779,424
Inventories of supplies	11,054,90	3	_	_		11,054,903
Prepaid expenses and other assets	10,118,83	3	42,647	_		10,161,480
Current portion of assets whose use is limited	3,902,82	0	-			3,902,820
Total current assets	239,973,26	8	4,826,492	1,087,831		245,887,591
Assets whose use is limited:						
Investments and other assets	129,222,69	9	63,759,587	23,460,551		216,442,837
Investments for restricted purposes	146,779,52	6	5,453,385	22,821,506		175,054,417
Escrow funds for long-term debt	54,673,48	8	_	_		54,673,488
Funds designated for debt service	6,943,06	9	_	_		6,943,069
	337,618,78	2	69,212,972	46,282,057		453,113,811
Funds held in trust by others	92,291,65	5	21,804,495	1,743,070		115,839,220
Other assets	81,481,16	3	-			81,481,163
Property, plant and equipment, net	309,372,88	9	10,120,786	6,362,297		325,855,972
	\$ 1,060,737,75	8 \$	105,964,745	\$ 55,475,255	\$:	1,222,177,758

⁽¹⁾ Includes Cedar Mountain Commons

Consolidating Balance Sheet (continued)

	Hartford			erson House The Institute			TC 4.1
Liabilities and net assets		Hospital	<u> </u>	ompinea	of Living		Total
Current liabilities:							
	ď	10.540.101	•	1 42 720		æ	10 (05 020
Accounts payable	\$	19,542,101	\$	143,729		\$	19,685,830
Salaries, wages, payroll taxes and amounts withheld from employees		18,445,257		207,346			18,652,603
Accrued expenses		36,997,829		1,157,741	\$ 110,278		38,265,848
Estimated third-party payor settlements		6,850,045		_	_		6,850,045
Current portion of long-term debt		16,971,544		_	_		16,971,544
Current portion of accrued pension liability		13,884,957		_	_		13,884,957
Current portion of other liabilities		6,640,464		_	_		6,640,464
Total current liabilities		119,332,197		1,508,816	110,278		120,951,291
Accrued pension liability		340,366,785		_	_		340,366,785
Long-term debt, less current portion		191,588,806			_		191,588,806
Other liabilities		6,957,786		-	-		6,957,786
Net assets:							
Unrestricted		163,006,762		77,148,434	31,067,298		271,222,494
Temporarily restricted		82,502,856		2,964,277	13,319,789		98,786,922
Permanently restricted		156,982,566		24,343,218	10,977,890		192,303,674
- TANAMAN TOTAL TO		402,492,184		104,455,929	55,364,977		562,313,090
		060,737,758	\$	105,964,745	\$ 55,475,255	\$	1,222,177,758

⁽¹⁾ Includes Cedar Mountain Commons

Consolidating Statement of Operations

	Hartford Hospital	Jefferson House Combined ⁽¹⁾		The Institute of Living E				Total
Unrestricted revenues, gains and other support:								
Net patient service revenue	\$ 853,959,278							\$ 853,959,278
Other operating revenue	121,645,764				45,611	\$	(239,236)	121,952,140
Net assets released from restrictions for operations	9,161,084		26,403		77,717			9,465,204
	984,766,126	2	26,403	8	23,328		(239,236)	985,376,622
Operating expenses:								
Salaries	433,339,431		_				-	433,339,431
Employee benefits	128,868,720		-		_		-	128,868,720
Supplies and other	185,371,396	2	23,281	3	41,009		(239,236)	185,496,450
Purchased services	157,976,819		3,122				_	157,979,941
Depreciation and amortization	43,450,600		-	4	74,097		-	43,924,697
Provision for uncollectible accounts	12,915,771		-		4,013		-	12,919,784
Interest	1,556,400				_		_	1,556,400
	963,479,137	2	26,403	8	19,119		(239,236)	 964,085,423
Income from operations before loss on early extinquishment of debt	21,286,989		-		4,209		-	21,291,199
Loss on early extinquishment of debt	(447,904)				_		_	(447,904)
Income from operations	20,839,085		_		4,209	-	_	20,843,295
Nonoperating income (loss):								
Income from investments, gifts and bequests, net	8,711,872		-	1,1	60,026		_	9,871,898
Other	(18,983)	2,75	5,065		· –		_	2,736,082
	8,692,889	2,75	5,065	1,1	60,026		_	12,607,980
Excess of revenues over expenses before change in unrealized gains and losses on investments	29,531,974	2,75	5,065	1,1	64,235		-	33,451,275
Change in unrealized gains and losses on investments	(10,212,490)	(5,35	9,616)	(1,7	98,069)		-	(17,370,175)
Excess (deficiency) of revenues over expenses	\$ 19,319,484	\$ (2,60	4,551)	\$ (6:	33,834)	\$		\$ 16,081,100

⁽¹⁾ Includes Cedar Mountain Commons

Consolidating Balance Sheet

	Hartford Hospital	Jefferson House Combined (1)	A III AMSTITUTE		
Assets					
Current assets:					
Cash and cash equivalents	\$ 33,536,251	\$ 9,613,795	\$ 1,149,325	\$ 44,299,371	
Accounts receivable, less allowances for doubtful accounts of \$35,400,000	116,439,803	919,550	_	117,359,353	
Other receivables	18,731,666	11,146	3,933	18,746,745	
Due from affiliates, net	8,221,672	1,733,413	85,534	10,040,619	
Inventories of supplies	10,906,251	_		10,906,251	
Prepaid expenses and other assets	11,166,296	35,442	3,832	11,205,570	
Current portion of assets whose use is limited	4,304,570	_	_	4,304,570	
Total current assets	203,306,509	12,313,346	1,242,624	216,862,479	
Assets whose use is limited:					
Investments and other assets	134,459,350	60,142,730	24,605,378	219,207,458	
Investments for restricted purposes	154,816,785	5,581,454	23,656,205	184,054,444	
	289,276,135	65,724,184	48,261,583	403,261,902	
Funds held in trust by others	95,521,928	22,521,281	1,873,831	119,917,040	
Other assets	40,644,647	_	=	40,644,647	
Property, plant and equipment, net	281,906,249	10,270,691	6,836,394	299,013,334	
	\$ 910,655,467	\$ 110,829,502	\$ 58,214,432	\$ 1,079,699,401	

⁽¹⁾ Includes Cedar Mountain Commons

Consolidating Balance Sheet (continued)

	Hartford Hospital		Jefferson House Combined (1)		THE MIS			Total
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$	41,856,450	\$	81,909			\$	41,938,359
Salaries, wages, payroll taxes and amounts withheld from employees		21,592,183		459,133				22,051,316
Accrued expenses		20,015,802		1,199,207	\$	165,468		21,380,477
Estimated third-party payor settlements		1,980,663		_		_		1,980,663
Current portion of long-term debt		30,300,808		_		_		30,300,808
Current portion of accrued pension liability		9,051,278				_		9,051,278
Current portion of other liabilities		8,823,417		_		_		8,823,417
Total current liabilities		133,620,601		1,740,249		165,468		135,526,318
Accrued pension liability		279,113,923		_		(1)		279,113,922
Long-term debt, less current portion		60,966,876		1,189,800		_		62,156,676
Other liabilities		9,234,293		_		_		9,234,293
N		170 212 676		70 770 00 <i>5</i>	22	- 201 × 01		200 504 252
Net assets:		178,313,676		79,750,885		,531,691		290,596,252
Unrestricted		89,881,759		3,088,566		,408,623		107,378,948
Temporarily restricted	_	159,524,339		25,060,002		,108,651		195,692,992
Permanently restricted		427,719,774		107,899,453		,048,965		593,668,192
	\$	910,655,467	\$	110,829,502	\$ 58	,214,432	\$ 1	1,079,699,401

⁽¹⁾ Includes Cedar Mountain Commons

Consolidating Statement of Operations

	Hartford Hospital	Jefferson House Combined ^(I)		The Institute of Living	Eliminations		Total	
Unrestricted revenues, gains and other support:								
Net patient service revenue	\$ 800,993,375						\$	800,993,375
Other operating revenue	122,983,099			\$ 528,217	\$	(239,236)		123,272,080
Net assets released from restrictions for operations	8,623,312	\$	29,543	21,399		_		8,674,254
	932,599,786		29,543	549,616		(239,236)		932,939,709
Operating expenses:								
Salaries	398,505,926		_	_				398,505,926
Employee benefits	100,636,264		-	_		_		100,636,264
Supplies and other	181,630,180		24,637	146,680		(239,236)		181,562,261
Purchased services	158,477,075		4,906	_		_		158,481,981
Depreciation and amortization	42,312,460		_	486,596		_		42,799,056
Provision for uncollectible accounts	37,824,767		_	_		_		37,824,767
Interest	614,483		_	_				614,483
	920,001,155		29,543	633,276		(239,236)		920,424,738
Income from operations	12,598,631		_	(83,660)				12,514,971
Nonoperating income (loss):				,				
Income (loss) from investments, gifts and bequests, net	5,143,396		_	(128,093)		_		5,015,303
Other	69,283		324,361	` _		_		393,644
	5,212,679		324,361	(128,093)		_		5,408,947
Excess (deficiency) of revenues over expenses before change in						74.7.7.		· · · · · ·
unrealized gains and losses on investments	17,811,310		324,361	(211,753)		_		17,923,918
Change in unrealized gains and losses on investments	15,769,108		4,988,574	2,409,188				23,166,870
Excess of revenues over expenses	\$ 33,580,418	\$	5,312,935	\$ 2,197,435	\$		\$	41,090,788

⁽¹⁾ Includes Cedar Mountain Commons

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